

SOME
REMARKS
ON
Dr. J E B B's
CONSIDERATIONS
ON THE
Expediency
OF A
National Circulation Bank
IN
IRELAND.

D U B L I N

Printed by James Hunter, in Sycamore-Alley,
M,DCC,LXXX.

REMARKS

Dr. JEBB'S

CONSIDERATIONS



IRELAND



SOME
REMARKS
ON
Dr. JEBB's Considerations
ON the EXPEDIENCY of a
National Circulation Bank
IN
IRELAND.



THE Public have, for some days, been taught to expect, from the pen of the celebrated Guatimozin, a performance equal to his known

known abilities, on a subject of the first importance to the kingdom, the intended establishment of a National Bank,—and lo!—the Doctor has delivered himself,—the mountain has brought forth—what? —not any new thought or effort of his genius, but the gleanings, (or in his own plain and intelligible stile) the *re-productions of productive* news-papers, and the trite speculative opinions of men unacquainted with the practical knowledge of money, and the banking business. These publications were looked on as coming from self-interested men, and so trifling as not to merit an answer;—nor should the pamphlet now before you meet a better fate, but the established reputation of the Author, and the possibility of its falling into the hands of superficial readers, who are caught by pompous words, and view only (as he mentions in his advertisement) the surface, make it necessary for general information to say, That the proposed plan of a Public Bank is solely intended for the support of trade, and to prevent the calamities so frequently and recently brought on this kingdom, by the imprudent management and consequential failure of Private Banks.

It is acknowledged by all, that the trade of Ireland, trifling as the Doctor states it, could not be carried on without Paper Credit; therefore the establishment of this credit on the most permanent foundation, and the prevention of
the

the like evils which have hitherto attended it, is what is worthy of the attention of the Legislature.

It is asserted by the Author, " That the property which the Public have a right by law to resort to in the event of a failure of the Private Bank, very much exceeds the whole capital of the New Bank."

It is an invidious task to examine into the private property of any set of men,—and, although thus called upon, I shall avoid it, and only say, it is suggested by some (who from this assertion have been prompted to cast a thought on this subject) that the united estates of those houses who are thought to oppose this institution, if free from all settlements and incumbrances, would fall very far short of one-half of the intended capital: but, be this as it may, I will be bold to affirm, in opposition to the whole College of Physicians, that 300000*l.* subscribed in real cash, is, for the purpose of banking, and the security of the Public against any failure, superior to 300000*l.* *per annum* real estate; and according to general opinion, no one person in the banking trade put in as a capital stock for carrying on the business, and permitted such capital to remain untouched for that purpose, above 100000*l.*—so that supposing as many partners as the law permits, the whole never exceeded 600000*l.* which in
some

some measure accounts for their partial and limited conduct, as such a Capital is a poor and precarious sum to afford a generous support to the trade of Ireland, and on which to venture to issue hundreds of thousands of paper.

The Author, in speaking of multiplying paper for circulation, says, "The idea is admirable, and can only induce error by being carried to excess; but experience proves, that the most attentive discretion is necessary in the practical application of it: for, as the whole theory of banking turns upon this one idea, it may be affirmed, that the ruin or the commercial prosperity of a country, will depend on the use or abuse of it."—And again, "Banking companies, whose credit with the Public is secured no less by the sufficiency of their funds than by the discretion of their dealings, will advance the prosperity of a country, by issuing paper money, which will answer all the purposes of circulation." Here he allows the great utility of Banks properly conducted; and surely the conduct of a Public Bank, under the constant inspection of every member, must be most particularly attended to. The trifling advantage to each individual Director, by an imprudent extension, could never induce him to run the risque of his stock, by endangering the existence of the Bank for half or one *per cent.* extraordinary dividend;

vidend; and the same must hold good in answer to the Doctor's note, insinuating, that the private connexion of the Director would prompt him to discount bad paper, as the loss to him on 100*l.* would be but 8*s.* Neither the small loss or immediate profit could influence in either case, where his whole stock would be hazarded. Besides, by the constitution of the Public Bank, the Directors (chosen by ballot out of the body of Proprietors, and supposed to be men of character and fortune) are to act in rotation, three attending every day and these changed perhaps weekly, without whose whole concurrence no bill can be discounted; so that you must suppose those gentlemen to unite in the determined destruction of the commerce of the kingdom, and regardless of their oaths and own private interest;—a thought which I should not expect from the patriotic Guatimozin, who has so ably defended the independence of Ireland, and proved we have Irishmen of virtue equal to execute any glorious purpose. — Why then shall we not expect to find in our city twenty men for Governors and Directors, whose virtue and public spirit will raise them superior to these low suspicions, who want not capacity to conduct this mysterious science, whose judgment will guide when to limit and when to extend their circulation, and whose interest must prevent them at all times from endangering the security of the company by any imprudent act?

B

The

The Author quotes the fate of the Bank of Air as an inevitable consequence of our present undertaking. The Bank of Air was formed by a number of estated Noblemen and Gentlemen, without any real capital of cash, by a subscription of nominal stock, not for the purposes of trade, but to raise money on their bills, in order to lay it out on mortgages and other securities of that nature. This drained the country of all the ready cash, and, on the smallest demand for specie, they were of course obliged to stop payment; not from the failures of merchants or bad debts, but their having all their circulation locked up in dead securities. This is the strongest argument he could use in favour of the proposed Bank, where the company are to be precluded from lending any sum whatever on bonds or mortgages, or purchase of estates, but their whole capital kept in constant circulation of discount, for the benefit of trade, and one entire third of all paper in circulation intended to be kept in specie, to answer the demands of the Public at all times; and the examination and proof of this, and of its entire police, not left to a distant period,—but each day the whole business closed,—the ballance of cash struck,—the notes outstanding, and the amount of all ballances whatever stated every day;—so that it is totally out of the power of the Governor and Directors, without consummate villany and wilful perjury, to permit any innovation on the general laws of the corporation.

corporation. It is scarcely to be imagined, that men, who may be thought worthy of being entrusted with this charge, and who have a part of their fortunes in the Bank, and must of consequence suffer in their reputation and fortune, would attempt or permit any act that would prejudice either.

Our Author says, " Banking will naturally arise out of national prosperity, but can never make the foundation of it; it is the EFFECT, and not the CAUSE."

The rise of the Bank of England proceeded neither from national prosperity, or national commerce, but from the poverty of the state. Government wanted a loan, and devised this as the best method of raising it. The establishment of this Bank was the CAUSE of the prosperity of the kingdom,---of the immense extension of her commerce,---and of the lowering the interest of money from 8 to 4 *per cent.*—These were the effects of this---I may say---SOLE CAUSE.

Ireland, altho' in its infancy, yet may look forward to this great example, and by pursuing with prudent circumspection the same established mode, must in the end produce the same good and salutary effects, in proportion to the circumstances of the two kingdoms.

The Doctor mentions in page 23, that the complaints against the present Bankers are,
 “ That they are dastardly, -- have narrow selfish
 “ views, --- capricious in their discounts, with-
 “ out any rule to direct the dealers to guard
 “ against the calamity,” -- and informs us,
 “ that caution is a Banker’s characteristical vir-
 “ tue, and that nothing can be more wicked
 “ than to maintain the doctrine, that caution is
 “ a crime in a Banker.”

That they have not been dastardly in the light he wishes to shew them, --- that they have been solely governed by selfish views, --- and that they have not used that necessary virtue *caution*, --- is fully proved by the event, --- their failure having been generally the consequence. So that out of all the Banks that had existence these fifty years, no more than two of the present (and the house of Mr. Henry and of Messrs. Coates and Lawless, who have honourably retired) have been able to stem the torrent, but were under the necessity of stopping payment, and by many of them the Public have suffered considerable loss. And their being capricious and partial in their discounts, may possibly arise from prudence or caution, but this is the very point that wants to be remedied. The poor unequal capital in cash of those houses who have failed not permitting them to discount but when their coffers are full of money, the smallest public alarm, --- the failure of a single merchant,
 --- or

—or the distant idea of a government loan,—frights them, and with reason, having no real stamina. But a Bank established on public security and national confidence, would not be affected by such trifles, nor alter the regular uniform support of the trader or manufacturer.

It would be endless to pursue the Doctor thro' the whole of his arguments, many of which are in direct opposition to each other, and to his intention of defeating this great national Good; but I shall just observe, that, when the Committee of the House of Commons were enquiring into the utility of this measure, a worthy and valuable member, intimately acquainted with the trade of this kingdom, gave it as his opinion, that the erecting of a Public Bank was *absolutely* necessary at this time; to which another member replied, that he thought it better the word *highly* should be substituted, as it could never be *absolutely* necessary, while the house of Latouche thought proper to continue business: whereupon the Committee came to the following resolution, which was afterwards agreed to by the House, *viz.*

Resolved,

That it is the opinion of this committee, that the erecting of a Public Bank upon a solid foundation, under proper regulations and restrictions, is at this time highly necessary, and will contribute to the establishment

establishment of public credit, and the support of the trade and manufactures of this kingdom.

I shall at present defer entering into a particular discussion of the Doctor's performance, and shall only lament, that the manly energetic stile of Guatimozin is so totally lost in this futile attempt, that we can scarcely suppose they flowed from the same pen.

I shall take the liberty with the very ingenious author of a pamphlet lately published in England, entitled, *The Survey of the present State of Ireland*, to subjoin his chapter or section on the erection of a Public Bank in Ireland, page 88.

Of a National Bank.

“CIVILIZATION carries with it, as it's inseparable character, the use of money. Wherever it is introduced, we may suppose the state to have arrived at a considerable degree of refinement. The learned Montesquieu observes, that the cultivation of lands, that important stage of improvement, has always produced a sign of value.

“The ordinary intercourse of mankind, for the supply of their immediate personal wants,
is

is sufficiently answered by those common signs of value in all nations, gold and silver. But the transmission of these metals from one kingdom to another, having been found dangerous and inconvenient, and a property in them at home, casual and hazardous, bills of exchange have been invented for the purpose of a facil and safe conveyance, and paper to assure a certain and portable possession.

“ Paper being the representative of a sign, it presumes it's value to be lodged in some safe depository, to which access can be always attained, for it's exchange. These receptacles are either private or public.

“ When an individual has acquired the reputation of extensive property, whether it is real or ideal, this acknowledgment of value is a sign, that it subsists with him; and it is accordingly received with a current faith and confidence. To this reposal of trust we owe the origin of private banks.

“ A public bank differs from a private one in this important instance, that it's capital is known and assured. In this, the utmost faith is placed, for it is the public, which, in a particular degree, trusts itself: as it's material negotiations, it's profits and it's losses, are disclosed and avowed, each individual may possess the

the knowledge of a partner, and know the stability of the basis on which his property rests.

“ Private banks, in the enjoyment of public confidence, and the consequent possession of it's wealth, have been tempted by views of profit, to embark in great and extensive speculations; they have extended their engagements beyond the pale of discretion and safety; their private expences have been profuse and extravagant, or their original property confined and insecure.

“ England has experienced a series of misfortunes from the misconduct of private banks, in all these several instances. The apprehensions of individuals, extending their fears to all indiscriminately, these private repositories have tottered to their foundation.

“ A public bank, conducted upon liberal and enlarged principles, stands upon a firmer ground. It is immutable as the state itself. Shook by no danger, but when the public existence is at stake, in the hour of private calamity, it affords a sure refuge. The passing gale which disturbs the unpillared edifices of private banks, serves but to strengthen this mighty rock which upholds the public prosperity.

“ In every country where commerce flourishes, we find public banks. England, Scotland,

land, Holland, Germany, Venice, Genoa, and many other commercial places, have early adopted this national surety for their national wealth. They have experienced it's animating warmth—the vigour it communicates to commercial enterprizes—and the flowing opulence which it introduces.

“ When Lewis XIV. desirous of destroying the Dutch republic, was near the gates of Amsterdam, the public faith continued so great in that celebrated depositum, that those persons, who, on the first alarm, had crouded to the bank, now returned the money they had received, as to the safest asylum in that moment of danger.

“ The commerce of England has been increased three-fold since the institution of it's national bank: it's paper is to the private Banker in this country, what cash is in Ireland.

“ Ireland, which has had the example of England before her—which has sustained the most violent shocks from the failure of her Bankers—which has witnessed their pride—their insolence—their private views—their weakness, has never undertook the establishment of a national bank. Her indolence and want of spirit would provoke our indignation, if we did not commiserate her distress.

C

“ In

“ In Dublin, there are, at this time, four private banks. The house of Latouche's is equal, perhaps, in opulence, to any private bank in Europe. The family is composed of men of the strictest integrity and the most amiable qualities. It is not my intention to investigate characters; there are valuable and worthy men, I believe, in all those banking houses.

“ But no valuable qualities in individuals will be an atonement for their public inconvenience, or their collective conduct. The paper of these banks hold the same rank in payment as the notes of the bank of England in this country. The demand on a Banker in Ireland is for cash. He must discharge his outstanding notes with specie, or he is insolvent.

“ The principal object of the banking trade in Ireland is the business of discounting. If we suppose the capital of a house to be any given sum, with which they propose to discount, it is obvious, that, if they only employ this capital, they can have no other advantage than the legal interest of their fortune. This might be attained many ways, without the hazard and numerous expences of this undertaking. But as Bankers possessing the public confidence, they preserve at home a certain quantity of specie, which they deem sufficient to answer the ordinary demands upon them, and keep in a course of circulation, four or five times their capital.

If

It must be evident from these premises, that no Banker pursuing this branch of his business, is literally equal to his engagements. He may be possessed of landed property, of other Bankers notes, of government debentures, but none of these articles can be offered in payment, whilst he preserves his credit.

“ In the year 1772, public credit in England communicated the shock it underwent at that period to Ireland, and produced a run on the banks in Dublin. The house of Sir George Colebrooke and Company, in that city, failed, and another house, Finlay and Company, of whose fortune and integrity I have a good opinion, was reduced to the necessity of paying in government debentures; and at length, of having their notes indorsed to strengthen their security.

“ Besides those which are properly called banking houses, there have been others of an inferior class, who have for a time occupied a certain portion of public confidence. Of the last were the houses of Hugh Hen. Mitchell and Richard Underwood, Esqrs. These gentlemen who were eminent land agents, issued notes, in which they promised to be accountable on demand. The former succeeded his father in this path, and although Mr. Mitchell was some thousands deficient at his father's decease, he continued for many

many years to enjoy a considerable degree of trust. Mr. Underwood, from an obscure origin, by the efforts of an indefatigable industry, had raised himself to a seat in the House of Commons, and possessed as an agent a lucrative income.

“ Mr. Mitchell had long struggled under the difficulties arising from his original embarrassments; when at length, in the beginning of last year, he failed. At this time, Mr. Birch, a man of infinite enterprize, who, from keeping a grocer's shop, was become a member of the House of Commons, in possession of the Kingsland estate, of the estate of George Ogle, Esq;—in short, who had a rent roll of twelve thousand pounds a year—had, notwithstanding all this semblance of greatness, been long connected with Mr. Mitchell, for the purpose of a mutual support. Unable to make good his engagements without this secret aid, his failure immediately followed that of Mr. Mitchell's. This great bankruptcy, which amounted to near two hundred thousand pounds, once more alarmed the public for the safety of the Banks. They immediately pressed that bank which had appeared weakest in 1772; and notwithstanding the efforts of that house to obtain cash from England in time, to answer the terrified holders of their notes, it was after much struggling, compelled to stop payment. At this period Mr. Underwood also failed.

“ An

“ An entire cessation of discounting ensued. Those who had lodged money in the Bank, thinking it no longer secure, caused it immediately to be withdrawn. The bankers ceasing to be an object of confidence, were unable, or unwilling to extend it to others. An universal distrust prevailed. Merchants who had embarked their fortunes in unsuccessful pursuits, who were deficient, or who relying on their reputation for integrity or fortune, had ventured into engagements, upon an expectation of discounting, continued to fail, and each to spread an additional ruin. Money was not to be obtained for the common occasion of circulation. The most opulent experienced the embarrassment of discharging their debts in specie, when cash alone was in use. Commerce reverts to its first narrow and circumscribed circle—the business of the merchant is no more, and with him perishes the spirit and welfare of the nation.

“ Let us suppose the notes in circulation issued by the bankers upon the credit of the merchants and money holders to have amounted to half a million, and that four parts of this sum in the course of a year, has been withdrawn, the effect of this event upon manufactures and commerce, must appear pregnant with ruin *.

* *The circulation of the Bank of England paper is supposed to be sixty millions.*

“ The

“ The history of these commercial events, is sufficient without any argument, to prove the expediency of a national bank in Ireland : as suspicion can never here awake, this institution can never be subject to the violence of alarm. The private banks would also experience the shelter of it's wide spreading branches. The paper of the national would be in the place of what specie is at present. Whilst the private possessed debentures and good mercantile paper, the national bank, zealous for the public safety, would never suffer them to fail.

“ We have seen the private banks riding in the tempest, we have beheld their wreck, and the numerous disasters which have flowed from their misfortunes, let us next examine them when the sky is serene, and the sea calm and unruffled.

“ The business of Exchange is one great source of a banker's profit. This the wealthy bankers can raise or fall at pleasure, it is no more than to enlarge or restrain their discounting, to enter into secret agreements to take or not to take bills upon the exchange. Thus the interests of the merchant and the community, are sacrificed to the convenience and profit of a few individuals.

“ Governed by secret and unknown motives, instead of allowing the merchant a safe and certain

certain navigation, with which for a time he is deluded, he is suddenly and without any apparent cause driven on shoals or rocks, where he perishes without a hand stretched out to his assistance. The caprice of a partner, the pretended settlement of their accounts; the dread of an approaching linen market, the failure of some merchant, causes them without any notice to forbear discounting.

“ The anxious merchant turns over his bills, places the best uppermost, and like some unfortunate criminal dragged to execution, approaches with a palid cheek and trembling hand, the counter of the banker—he watches his eyes—he examines his countenance, as if the dye of life was about to be cast; and now he either revives in all the transport of happiness, or sinks into the gloomy vale of dejection and despair.

“ The converse of the merchants of this unfortunate country, is not an enquiry into new and untracked channels of profitable commerce; a mutual information of the wants and necessities of foreign kingdoms, of the cheap and advantageous commodities of different countries, but whether the banks *are doing any thing*, an intimation of their private distresses, an exchange of their notes, information of private discounting and bitter reflections on the calamity of the times.

“ Such

“ Such is the picture I draw of the consequences of the present mode of banking in the Metropolis of Ireland. I shall be happy if a representation, not overcharged, should produce any beneficial effects.”



